

**ARIZONA CORPORATION COMMISSION  
SPECIAL OPEN MEETING MINUTES**

**DATE:** December 5, 2003

**TIME:** 9:30 a.m.

**PLACE:** Arizona Corporation Commission, 1200 W. Washington St., Room 100, Phoenix,  
Arizona 85007

**ATTENDANCE:** No Quorum of Commissioners. See attendance list in Attachment 1.

**TOPIC: DSM WORKSHOP**

**MATTERS DISCUSSED:**

Barbara Keene of the Commission Staff welcomed everyone. Each participant made a self-introduction.

Robert Hasman, representing the National Association of Energy Service Companies (NAESCO) and Johnson Controls, presented an ESCO perspective on energy conservation in Arizona. If you look at building costs over 40 years, only 11 percent of the cost is for the construction of the building, while 50 percent of the 40-year cost is for operation of the building. California did a study of 33 buildings and found that the added cost for energy efficiency was only 2.1%.

HB 2324, signed by the Governor in April 2003, requires 15 percent savings in state buildings by 2011. The Arizona Department of Administration (ADOA) issued an RFP for conservation in 30 state buildings (December 2003 deadline). Thirty ESCOs asked for the RFP documents, and 16 attended a pre-proposal meeting.

Performance contracts are designed to have cumulative savings that greatly surpass the cumulative costs. ARS 34-455 allows ADOA to enter into performance contracts with a 15-year payback, but ARS 34-456 says that 50 percent of savings will go to an "energy conservation fund."

ARS 15-213 allows school districts to enter into guaranteed cost savings contracts with a 10-year payback. ARS 15-910 addresses excess utility funds.

Some federal government activities include the U.S. Green Building Council and Energy Star. Leadership In Energy and Environmental Design (LEED) has standards for new construction and existing buildings.

A company can do any of these initiatives of energy conservation: demand-side management, behavior modification, and supply-side management. Demand-side management includes replacing inefficient equipment, optimizing existing equipment, and installing new equipment. An example of behavior modification is turning off lights. An example of supply-side management is changing rates. Due to the cascading nature of savings, total energy savings is not equal to the sum of the components.

Johnson Controls has identified the following retrofit opportunities, totaling \$410 million of construction cost, in Arizona:

K-12	\$50 million
higher education	\$20 million
healthcare	\$70 million
industrial	\$50 million
state government	\$40 million
local government	\$80 million
other	\$100 million

The potential savings of the above retrofits could be \$60 million per year, with a minimum energy savings of 1 percent per year.

The group discussed why the opportunities in the industrial sector were not larger. One problem mentioned was that loan payments often are seen by corporations as capital payments, even though the company may be saving more in operations. Financing is usually for capital projects while the savings are in operations. Large companies often have separate budgets, and accounting systems do not allow the savings in operations to be applied to the capital budget. Also, private-sector decision-making is often out-of-state, while government decision-making is in-state. In addition, the public sector can get the cheapest money. One participant said that large industrial customers, such as mines, do not like rebates because those customers often do not get to take advantage of the rebates. There is too much administrative burden, and their operations often change. They would rather do the projects themselves. However, another participant shared that financial incentives may increase the use of DSM. He also added that industrial customers usually get more in rebates than they put into the rebate pot. Utility rebates can be used to leverage funds.

The group discussed issues associated with obtaining historical utility DSM savings and cost numbers. APS provided a draft of historical information. It was decided for 1999 on to add lifetime savings and to separate out residential new construction. Charlie Gohman of the Arizona Energy Office offered to work with the utilities to determine an "average house."

Jeff Schlegel of SWEEP distributed a handout titled "Objectives, Principles, and Criteria for Energy Efficiency Portfolios." This handout will be discussed at the next workshop when the group discusses the criteria to determine the best DSM opportunities. Other participants are invited to present their proposals.

The next DSM Workshop will be on January 15, 2004.

Barbara Keene and  
Ray Williamson, Utilities Division

Attendees at the DSM Workshop  
On December 5, 2003

Attendee	Organization
Stephen Ahearn	RUCO
Prem Bahl	Arizona Corporation Commission Staff
David Berry	Western Resource Advocates
Jana Brandt	Salt River Project
Anne Calhoun	Salt River Project
Rebecca Chavez	Tucson Electric Power/UNS Electric
David Couture	Tucson Electric Power
Dennis Criswell	Arizona Electric Power Cooperative
Michael Curtis	MEC/NEC
Linda Douglas	Tucson Electric Power
John Duncan	Arizona Public Service
Erin Erben	Salt River Project
Lori Glover	So Cool Energy
Charlie Gohman	Arizona Energy Office
Anita Hart	Southwest Gas
Robert Hasman	Johnson Controls, Inc.
Tom Hines	Arizona Public Service
Marshall Hunt	RHA
Barbara Keene	Arizona Corporation Commission Staff
Barb Klemstine	Arizona Public Service
Brian Koch	Salt River Project
Cinda LeDesma	Southwest Gas
Deb Lindeman	Tucson Electric Power
Craig Marks	Arizona Energy Office
Mike McElrath	Phelps Dodge
Mark McWhirter	Arizona Energy Office
Chuck Miessner	Arizona Public Service
Bill Murphy	
Terry Orlick	Arizona Public Service
Amanda Ormond	Ormond Group
Steve Reyna	Southwest Gas
Russ Romney	Martinez & Curtis
Jeff Schlegel	SWEEP
Vivian Scott	Southwest Gas
Jeff Seaton	DEMA
Chuck Sherman	
Karen Smith	Salt River Project
Jim Stack	ASEA
Scott Wakefield	RUCO
Bud Walters	Southwest Gas
Ray Williamson	Arizona Corporation Commission Staff